

**Introduced by Senator Escutia**

February 21, 2003

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An act to add Section 1785.20.4 to the Civil Code, and to add Section 676.18 to the Insurance Code, relating to credit history.

LEGISLATIVE COUNSEL'S DIGEST

SB 691, as introduced, Escutia. Credit history.

Existing law generally regulates the use of consumer credit reports.

The bill would provide that where the use of an applicant's credit history is not barred under California law, it shall not be used in a manner that disparately impacts a protected class.

Existing law generally prohibits insurers from canceling or failing to renew homeowners' insurance for various reasons.

This bill would prohibit an insurer, with respect to homeowners' insurance, from (1) refusing to underwrite, canceling, or refusing to renew a risk based, in whole or in part, on the credit history of an applicant or insured; (2) rating a risk based, in whole or in part, on the credit history of an applicant or insured in any manner; and (3) requiring a particular payment plan based, in whole or in part, on the credit history of the insured or applicant.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1785.20.4 is added to the Civil Code, to  
2 read:

1 1785.20.4. Where the use of an applicant's credit history is not  
2 barred under California law, it shall not be used in a manner that  
3 disparately impacts a protected class.

4 SEC. 2. Section 676.18 is added to the Insurance Code, to  
5 read:

6 676.18. (a) For purposes of this section "credit history"  
7 means any written, oral, or other communication of any  
8 information by a consumer reporting agency bearing on a  
9 consumer's creditworthiness, credit standing, or credit capacity  
10 that is used or expected to be used, or collected in whole or in part,  
11 for the purpose of determining personal lines insurance premiums  
12 covered by this section or eligibility for coverage.

13 (b) With respect to homeowners' insurance, an insurer may not  
14 do the following:

15 (1) Refuse to underwrite, cancel, or refuse to renew a risk  
16 based, in whole or in part, on the credit history of an applicant or  
17 insured.

18 (2) Rate a risk based, in whole or in part, on the credit history  
19 of an applicant or insured in any manner, including, but not limited  
20 to, the following:

21 (A) The provision or removal of a discount.

22 (B) Assigning the insured or applicant to a rating tier.

23 (C) Placing an insured or applicant with an affiliated company.

24 (3) Require a particular payment plan based, in whole or in  
25 part, on the credit history of the insured or applicant.

